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Braemore

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1971

HOUSE OF BRAEMORE FURNITURE LIMITED ANNUAL REPORT

EXECUTIVE OFFICES:
4646 DUFFERIN STREET
TORONTO, ONTARIO

DIRECTORS:

HARVEY K. WEINER
MORRIS WEINER
ERNEST FINE
J. A. GELLER, Q.C.
M. Z. MANDELL

OFFICERS:

HARVEY K. WEINER, President
and General Manager
MORRIS WEINER, Vice-President
ERNEST FINE, Vice-President, Finance.
Secretary-Treasurer

**TRANSFER AGENTS
AND REGISTRAR:**

CROWN TRUST COMPANY

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE

AUDITORS:

JORDAN AND JORDAN AND HERLICK

ANNUAL MEETING:

4646 Dufferin Street, Toronto, Ontario, Canada,
Thursday, October 28, 1971 at
9:00 a.m., Toronto Time

**REPORT
OF THE
PRESIDENT**

The year ended June 30, 1971, marks the end of the most demanding and difficult period encountered by this industry in the past decade.

As in all diminishing markets, we were forced to reduce our profit margins in order to keep our plants busy and our skilled labour force fully employed. During this same period, labour and raw materials costs continued to increase which, under normal conditions, would have been offset by end product price increases.

Sales were maintained at \$5,893,291 compared to \$5,970,446 in 1970 and pre-tax profits remained relatively stable at \$402,066 as compared to \$407,000. Prior years tax losses were used up and our tax liability increased from \$150,326 in 1970 to \$184,665 in this fiscal year. Net earnings for this period were \$217,401 or 34 cents per share as compared to \$256,363 or 39 cents per share for 1970.

The major portion of the Company's long term debt has matured and is now shown as a current liability. Our working capital was thereby reduced from \$1,602,628, a ratio of 3.5:1 to \$1,115,761, a ratio of 1.75:1, but remains adequate for the Company to meet all of its obligations in the foreseeable future.

The outlook is most encouraging. Final quarter results for the period from April 1 to June 30, 1971 showed significant improvement over the same period in 1970. Results for the first quarter of this fiscal year, while not ready at the date of this report, will show even greater improvement. The trade show held in Montreal in August proved to be, by far, the most successful show Braemore has ever had, an indicator of the improving conditions encountered over the last six months.

All of the divisions of the Company, operated profitably in 1971 and the continuing integration and broadening of our product lines, are expected to lead to increased profit margins and higher earnings this year.



Harvey K. Weiner
President

September 27, 1971

HOUSE OF BRAEMORE
FURNITURE LIMITED
Downsview, Ontario

**CONSOLIDATED
BALANCE SHEET
AS AT JUNE 30, 1971**

(With Comparative Figures
as at June 30, 1970)

A S S E T S

CURRENT ASSETS

		<u>1971</u>	<u>1970</u>
Balance in Bank	\$ —		\$ 101,780
Accounts Receivable	1,252,534		996,159
Inventories (lower of cost or net realizable value) (Note 1)	1,300,484		1,102,436
Prepaid Expenses and Sundry Assets	<u>68,822</u>	<u>\$2,621,840</u>	<u>45,252</u> \$2,245,627
FIXED ASSETS (Note 2)		<u>454,054</u>	496,498
Deferred Charges (Note 3)		<u>40,595</u>	47,204
Deferred Taxes (Note 4)		<u>4,175</u>	1,390
Excess of Acquisition Cost over Net Book Value		<u>636,652</u>	636,652
Incorporation Expense		<u>2,210</u>	2,210
		<u><u>\$3,759,526</u></u>	<u><u>\$3,429,581</u></u>

APPROVED ON BEHALF OF THE BOARD:

H. WEINER, Director

M. WEINER, Director

TO BE READ WITH

LIABILITIES

CURRENT LIABILITIES

	<u>1971</u>		<u>1970</u>
Bank Indebtedness (Note 5)	\$ 364,157	\$ —	
Accounts Payable and Accrued Liabilities	558,973	428,967	
Income Taxes	94,242	74,289	
Shareholders' Loans Payable	377,000	—	
Current Portion of Long Term Debt	<u>111,707</u>	<u>139,743</u>	\$ 642,999
Long Term Debt (Note 6)	80,460		844,477

SHAREHOLDERS EQUITY

CAPITAL STOCK (Note 7)

Authorized 1,500,000 Common Shares without par value.

Issued and fully paid 645,900 shares	1,261,160		1,261,160
Retained Earnings	<u>911,827</u>	<u>2,172,987</u>	<u>680,945</u>
		<u>\$3,759,526</u>	<u>1,942,105</u>
			<u>\$3,429,581</u>

OUR REPORT

AUDITORS' REPORT

To the Shareholders of
House of Braemore Furniture Limited
4646 Dufferin Street, Downsview, Ontario

Gentlemen:

We have examined the Consolidated Balance Sheet of House of Braemore Furniture Limited and its wholly owned subsidiary as at June 30, 1971, and the related Consolidated Statements of Operations and Retained Earnings and Source and Use of Funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the companies as at June 30, 1971, and the results of their operations and the Source and Use of their funds for the year ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

JORDAN and JORDAN and HERLICK
Chartered Accountants

TORONTO, August 27, 1971.

HOUSE OF BRAEMORE
FURNITURE LIMITED

Downsview, Ontario

**CONSOLIDATED STATEMENT OF
OPERATIONS AND RETAINED
EARNINGS FOR THE YEAR
ENDED JUNE 30, 1971**

(With Comparative Figures for the
Year Ended June 30, 1970)

	<u>1971</u>	<u>1970</u>
Sales	<u>\$5,893,291</u>	<u>\$5,970,446</u>
Cost of Sales, Selling, General and Administrative Expenses	<u>5,382,394</u>	<u>5,431,119</u>
Profit Before Interest on Long Term Debt and Depreciation	<u>510,897</u>	<u>539,327</u>
Interest on Long Term Debt	<u>48,598</u>	<u>69,962</u>
Depreciation	<u>60,233</u>	<u>62,676</u>
	<u>108,831</u>	<u>132,638</u>
Profit Before Taxes on Income	<u>402,066</u>	<u>406,689</u>
Income Taxes	<u>184,665</u>	<u>150,326</u>
Net Profit	<u>217,401</u>	<u>256,363</u>
Retained Earnings — Beginning of Year	<u>680,945</u>	<u>424,582</u>
Adjustment of 1969 Income Taxes (Note 8)	<u>13,481</u>	<u>—</u>
RETAINED EARNINGS — END OF YEAR	<u>\$ 911,827</u>	<u>\$ 680,945</u>
Earnings per Share	<u>.34¢</u>	<u>.40¢</u>
Earnings per Share fully diluted	<u>.33¢</u>	<u>.39¢</u>

**CONSOLIDATED STATEMENT
OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED
JUNE 30, 1971**

(With Comparative Figures for the
Year Ended June 30, 1970)

SOURCE OF FUNDS

	<u>1971</u>	<u>1970</u>
Net Profit	<u>\$ 217,401</u>	<u>\$ 256,363</u>
Depreciation	<u>60,233</u>	<u>62,676</u>
Amortization of Finance Charges	<u>6,609</u>	<u>6,608</u>
Adjustment of 1969 Income Taxes	<u>13,481</u>	<u>—</u>
Loans from Shareholders	<u>—</u>	<u>45,500</u>
Common Shares Issued	<u>—</u>	<u>368,000</u>
	<u>297,724</u>	<u>739,147</u>

USE OF FUNDS

Machinery and Equipment	<u>17,789</u>	<u>20,032</u>
Deferred Income Taxes	<u>2,785</u>	<u>1,963</u>
Long Term Debt	<u>764,017</u>	<u>146,354</u>
	<u>784,591</u>	<u>168,349</u>
(Decrease) Increase in Working Capital	<u>(486,867)</u>	<u>570,798</u>
Working Capital — Beginning of Year	<u>1,602,628</u>	<u>1,031,830</u>
WORKING CAPITAL — END OF YEAR	<u>\$1,115,761</u>	<u>\$1,602,628</u>

**NOTES TO THE
CONSOLIDATED FINANCIAL
STATEMENTS
AS AT JUNE 30, 1971**

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of the company and its wholly owned subsidiary, The Hespeler Furniture Company Limited on a consolidated basis.

NOTE 1. INVENTORIES

Inventories are valued at the lower of cost or net realizable value and consist of the following:

	1971	1970
Raw Materials	\$ 589,261	\$ 554,175
Work in Progress	106,845	102,658
Finished Goods	604,378	445,603
	<u>\$1,300,484</u>	<u>\$1,102,436</u>

NOTE 2. FIXED ASSETS

	Cost or Appraised Value	Accumulated Depreciation	Net Investment 1971	Net Investment 1970
Land	\$ 1,342	\$ —	\$ 1,342	\$ 1,342
Building	278,495	49,997	228,498	240,524
Machinery and Equipment	475,544	266,915	208,629	236,206
Leasehold Improvements	20,528	4,943	15,585	13,915
Automotive	—	—	—	4,511
	<u>\$775,909</u>	<u>\$321,855</u>	<u>\$454,054</u>	<u>\$496,498</u>

The building of The Hespeler Furniture Company Limited, is valued at an appraised value of \$260,000 which is \$20,000 less than an appraisal made by the Dominion Appraisal Company Limited on July 27, 1966. Additions to building and all other fixed assets are valued at cost.

NOTE 3. DEFERRED CHARGES

Designs	\$ 3,000
Start-Up Costs	31,200
Finance Charges	6,395
	<u>\$40,595</u>

NOTE 4. INCOME TAXES

Income Taxes have been increased by \$2,785 as a result of the Company's policy in claiming capital cost allowances in excess of depreciation recorded in the records of the Company in prior years.

NOTE 5. BANK INDEBTEDNESS

Bank Indebtedness is secured by general assignments of accounts receivable.

NOTE 6. LONG TERM DEBT

Balance due on the purchase of common shares of The Hespeler Furniture Company Limited:

May 15, 1972	\$70,000
May 15, 1973	70,000

Conditional Sales Contracts for purchases of production equipment	26,667
Industrial Development Bank — 8½ % — due November 23, 1972	25,500
	<u>\$192,167</u>
Less: Instalments due within one year included in current liabilities	111,707
	<u>\$ 80,460</u>

SECURITY

The balance due to a shareholder on the purchase of all of the common shares of The Hespeler Furniture Company Limited is unsecured.

Conditional Sales Contracts are on the production equipment. The Industrial Development Bank is secured by a first mortgage on the real estate, a chattel mortgage and a supplementary chattel mortgage on the equipment, each in the amount of \$100,000.

NOTE 7. CAPITAL STOCK

As at June 30, 1971, employees hold options on 13,000 common shares exercisable prior to October 3, 1975 at \$5.00 per share.

NOTE 8. ADJUSTMENT OF 1969 INCOME TAXES

The Income Tax authorities have determined that the net earnings of the Company's business for the period July 1, 1968 to October 3, 1968 were taxable in the hands of the predecessor partnership, and not in those of the Company. As required by the acquisition agreement between the Company and the predecessor partnership, the Company was to indemnify the partnership against the additional tax of \$114,603 payable by the latter in respect of such earnings. As a result, the Company received a tax refund of \$128,084 in respect of its 1969 fiscal year, thus resulting in a net refund to the Company of \$13,481.

NOTE 9. PENSION PLANS

Hourly-paid employees at the BRAEMORE plant in Toronto are covered by a non-contributory joint industry-union pension plan. The costs of such plan are charged against current operations. As at June 30, 1971, there was an amount of \$1,353 owing for current benefits which amount was discharged in July 1971.

NOTE 10. LEASES

Minimum Annual Rental Cost under lease agreements (exclusive of taxes, insurance and maintenance costs) which extend more than five years from June 30, 1971 aggregate as follows:

1972-1979 — \$99,000

**NOTE 11. REMUNERATION OF DIRECTORS
AND SENIOR OFFICERS**

The total remuneration paid or payable by the Company and its subsidiaries to its directors and senior officers amounted to \$188,725.

Elegant Furniture for the Home

HOUSE OF BRAEMORE FURNITURE LIMITED

REPORT TO SHAREHOLDERS

We are pleased to report an increase in both sales and earnings for the half-year ended December 31, 1971.

Sales for the six months ended December 31, 1971 were \$3.65 million compared to \$2.94 million for the same period 1970, an increase of 24%.

After-tax profits for the six month period ended December 31, 1971 were \$192,774 compared to after-tax earnings of \$101,293 for the same period in 1970. The per share after-tax earnings increased from 16¢ to 29¢, an increase of 81%.

The annual furniture show held in Toronto January 1972 was successful and order backlogs are at a new high as the Company enters the second half.

We expect that the second half of our fiscal year, January 1 to June 30, 1972, will be most satisfactory and that the results will be consistent with those of the first half.

HARVEY K. WEINER,

President

February 10, 1972

INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED DECEMBER 31, 1971
(WITH COMPARATIVE FIGURES FOR DECEMBER 31, 1970)

	1971	1970
Sales	\$3,649,367	\$2,940,248
Cost of Sales	3,274,599	2,683,551
Profit before Interest on Long Term Debt and Depreciation	\$ 374,768	\$ 256,697
Interest on Long Term Debt	2,080	29,696
Depreciation	35,425	31,547
	\$ 37,505	\$ 61,243
Profit before Taxes on Income	337,263	195,454
Income Taxes	144,489	94,161
Net Profit	\$ 192,774	\$ 101,293
Earnings per Share29¢	.16¢
Earnings per Share fully diluted28¢	.15¢

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE SIX MONTHS ENDED DECEMBER 31, 1971
(WITH COMPARATIVE FIGURES FOR DECEMBER 31, 1970)

	1971	1970
Source of Funds		
Net Profit	\$ 192,774	\$ 101,293
Depreciation	35,425	31,547
Amortization of Deferred Charges	3,146	3,304
	\$ 231,345	\$ 136,144
Use of Funds		
Fixed Assets (net)	\$ 26,871	\$ 10,992
Deferred Income Taxes	5,583	469
Reduction of Long Term Debt	10,460	63,113
	\$ 42,914	\$ 74,574
Increase in Working Capital	\$ 188,431	\$ 61,570
Working Capital July 1	1,115,761	1,602,628
Working Capital December 31	\$1,304,192	\$1,664,198

All Figures are Subject to Independent Year End Audit

**HOUSE OF BRAEMORE
FURNITURE LIMITED**

PLANT AND EXECUTIVE OFFICES:

4646 DUFFERIN STREET, DOWNSVIEW, ONTARIO

DIRECTORS:

MORRIS WEINER

HARVEY K. WEINER

ERNEST FINE

J. A. GELLER, O.C.

M. Z. MANDELL

OFFICERS:

MORRIS WEINER,

Chairman of the Board

HARVEY K. WEINER

President and General Manager

ERNEST FINE

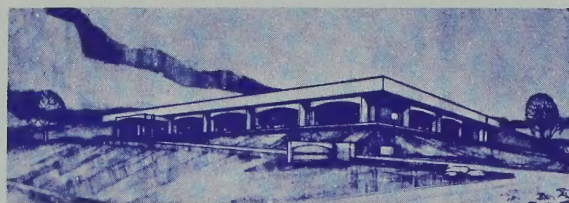
Vice-President, Secretary-Treasurer

TRANSFER AGENTS AND REGISTRAR:

CROWN TRUST COMPANY

BANKERS:

CANADIAN IMPERIAL BANK OF COMMERCE



House of Braemore

4646 DUFFERIN STREET
DOWNSVIEW ONTARIO

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*House of Braemore
Furniture Limited*



INTERIM REPORT

FOR THE SIX MONTHS
ENDED DECEMBER 31, 1971